APPENDIX A
ADDITIONAL FINANCIAL DATA AN0 ANALYSES

The information and analyses detailed and described in the following paragraphs shall either accompany each application for authority to raise new external financing or be provided once annually as determined by the time period indicated for each section described below.

Section I - Optimal Capital Structure

The applications to raise new external capital shall include with the first application, subsequent to the Commission's approval of Docket No. 82-0010 and at least once annually thereafter, a full description of the petitioner's perception of an optimal capital mix which includes the long-run target proportions of each capital element. The long-run capital proportions should be explicitly stated numerically and supported in terms of magnitude by describing the overall short-run trade-offs involved in deviating from the target proportions as stated. The description of the trade-offs should entertain opposing viewpoints concerning the magnitude of the proportions and a full reasoning of the capital mix selected.

Section II - Limitations To The Optimal Capital Structure

I" each future financing application, the petitioner's the" current capital structure, with and without short-term debt outstanding, shall be presented. In connection therewith, the applicant shall identify and discuss the factors which preclude the immediate establishment of the optimal capital structure.

Section III - Proposals To Approach The Optimal Capital Structure

Applications to raise external capital shall include a description of the applicant's planned schedule for reaching the optimal capital structure. This section should also include a description of alternative schedules to achieve the target capital proportions, as well as a discussion of why the planned schedule is preferable.

Section IV - Proposed Financing Terms

This section shall provide in each application the amount, type and, to the extent possible, terms of the financing. If any terms are not know" at the time of the filing of the application, estimates should be provided based upon recent historical experience of similar offerings.

Section V - Effects of Offering

This section shall provide in each application the effects of the proposed amount and type of financing upon the current capital structure, the coverage ratios (measured by all relevant methods), and any other relevant effects of the financing upon the applicant's overall financial health and integrity.

Section VI - Explanation of Proposed Terms

This section shall provide in each application the procedures used, the rationale and a description of how the type and terms of the proposed financing as described in Section IV were determined. The description of when the financial terms were determined should include a listing of specific dates when specific activities took place. These activities should include a chronological listing of the events which actually determined the form and type of the financing. The description of how the financial terms were determined should include in more detail the results of the specific activities listed which determined the exact form and type of the financing.

Section VII - Alternative Proposals

This section shall include in each financing application the alternative proposals which were examined in the process of deciding the form of the financing and a complete explanation as to why each alternative proposal was rejected. The alternative proposals should be described and numerically presented as to overall effects on the capital structure, interest coverage ratios, and overall financial integrity. The explanation as to why alternative forms of capital were rejected should include a summary of any outside opinions or formal or informal studies which were performed concerning this issue. Finally, the rejection of each alternative proposal should be explained in terms of the specific analytical and objective evidence which became the dominant rejection criteria. Stated another way, this section shall provide both a detailed explanation of the merits and consequences of the various alternative scenarios and a specific explanation of which financial parameters became the rejection criteria for each alternative proposal examined in arriving at the specific form of financing proposed by the applicant.

Section VIII - Revenue Requirement Analysis

This section shall include an analysis of the present value of the revenue requirements under alternative financing: equity if debt is to be offered; and debt if equity is to be offered. Alternative revenue requirement scenarios should be prepared assuming a variety of bond ratings and relevant coverage ratios. All scenarios presented shall include a full and complete description of the assumptions used.

Commissioner Andrew Barrett, dissenting:

I wish to begin this dissent by indicating my agreement. with directing Edison to provide additional information in future securities offerings. The Commission cannot and should not look at proposed utility financing in a vacuum. The direction to Edison is also appropriate in light of the serious matter of continuing and sizable construction cost overruns. While I remain convinced that the Commission's Phase I construction order is correct and in the public interest, each new, higher, construction cost estimate will inevitably bring into sharper focus the question of the overall affordability of the program.

I share intervenor concerns over the financial feasibility of the external financing6 necessary to support an ever increasing construction budget. The company's own projection for its total construction budget in 1982 has increased from $600 million to $1.35 billion since 1979. As revealed in the company's rate case 210 filing, relative cost increases for its nuclear plants still under construction rival and threaten to exceed experienced increases at Illinois Power's Clinton Project.

Current Estimates
CWE Plant Cost Increases
(Million $)

Plant	Project start	service Date	Original Budget	Current Budget through 1986*	Increase
LaSalle 2	11/73	10/83	256	1,041.5	306%
Byron 1	5/75	2/84	386	1,663.5	'330%
Byron 2	5/75	2/85	341.5	1,101.7	223%
Braidwood 1	9/75	10/85	411	1,634.a	297%
Braidwood 2	9/75	10/86	335	1,083.9	223%

* Includes AFUDC
Source: 210 Filing, Schedule S-l, B-4.1

Despite nearly 30% in rate increases within the last 24 months in its base rates, the company's internal cash generation is so poor that it must pay for the bulk of 1982 construction expenditures through the presently expensive device of external financing.

The Company's presentation in this case had serious defects. There was no positive record response to Commissioner Rosenblum's request from the October financing docket. Company vice-president Robert J. Schultz, who is responsible for the financial activities of the company, testified:

> . . . I don't know how to do the revenue requirements for the financing plan (R78).

One could interpret a company's evidentiary failures, lack of positive response in the record to a reasonable request by a commissioner,, and transcript responses such as that above as symptomatic of a company's high level of arrogance toward the Commission, ill becoming a company which is chartered to serve in the public interest. On an annualized basis, the interest payments, at current market rates, on $200 million of debt would be a34 million; $136 million annualize+ interest payments will be required should Edison complete its planned 1982 offerings of, $800 million of long term debt.. This would mean, all things equal, that the Company would require an additional $136 million in revenues to pay interest on that debt alone,, much less the additional revenues required to keep pre-tax interest coverage of such debt at current levels. While the sales of preferred stock and common equity also carry a return requirement which is addressed in final rate orders, a company with Edison's thick debt component in its capital structure suffers relatively quick deterioration of bond coverages after an offering such as that proposed which either requires increased revenues to maintain interest coverages or risk further deratings of company securities (with attendant higher borrowing cost for all financing to the company and the ratepayer in the future). I'm afraid this financing could set the stage for the company's pending interim increase request. At the time the financing order of October 26, 1981 was entered, I indicated to my colleagues that perhaps the time was not yet ripe for such a conclusion. It seems, however, that the time has arrived.

I am increasingly concerned over the concept of "interest coverage regulation", upon which pre-tax debt interest coverages seem to have played a large part, since such a method tends to focus on the company and company shareholder to the relative detriment of the ratepayer. In fact, were, the Commission to regulate primarily by debt coverage, it would be in the utility's short run advantage to keep the long term debt component. of its capital structure thicker than optimal in order to more easily justify rate increases and increase shareholder return. Everything else equal, more revenue is required to achieve any particular interest coverage in a debt-heavy capitalization than in one more balanced. Shareholders also benefit since the coverage provided is spread among fewer equity shares, resulting in higher earnings per share. It would be a mistake for the Commission to create or maintain such an incentive.

The company should be examining the expense side of its operations as vigorously as it pursues its revenue side to insure a timely, cost effective, and affordable completion of the current construction program. I find that the proposed offering of debt to be contrary to the public interest at this point in time and, therefore, I must respectfully dissent.

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

CERTIFICATE

Re: 82-0010

I, ROSE M. CLAGGETT, do hereby certify that I am Chief Clerk of the Illinois Commerce Commission of the state of Illinois and keeper of the records and seal of said Commission.

I further certify that the above and foregoing is a true, correct and complete copy of order made and entered of record by said Commission on February 17, 1982.

Given under my hand and seal of said Illinois Commerce Commission at Springfield, Illinois, on February 18, 1982.

Rose M. Claggett

Chief clerk